

**PIMA COUNTY COMMUNITY
COLLEGE DISTRICT**

**AUDITED A-133 SINGLE AUDIT
REPORTS AND SCHEDULES
Year ended June 30, 2005**

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
AUDITED A-133 SINGLE AUDIT REPORTS AND SCHEDULES
Year ended June 30, 2005

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A-133 SINGLE AUDIT REPORT AND SCHEDULES

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A-133 SINGLE AUDIT REPORTS AND SCHEDULES

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Governors
Pima County Community College District
Tucson, Arizona

Compliance

We have audited the compliance of Pima County Community College District (Pima Community College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Pima Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pima Community College's management. Our responsibility is to express an opinion on Pima Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pima Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pima Community College's compliance with those requirements.

As fully described in 05-1 in the accompanying schedule of findings and questioned costs, Pima Community College did not accurately report eligible aid applicant data for the years ended June 30, 2002 and 2003 to the Department of Education. These reporting errors appear to have resulted in subsequent higher awards to the College in the Federal Supplemental Educational Opportunity Grant Program (CFDA 84.007) and the Federal Work Study Program (CFDA 84.033) than would have resulted had the proper amounts been reported, including the College award for the year ended June 30, 2005. Compliance with such requirements is necessary, in our opinion, for Pima Community College to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Pima Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Integrity is the highest form of service.

MARIANNE E. DEVRIES, CPA

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Internal Control Over Compliance

The management of Pima Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pima Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Pima Community College's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as 05-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is also a material weakness.

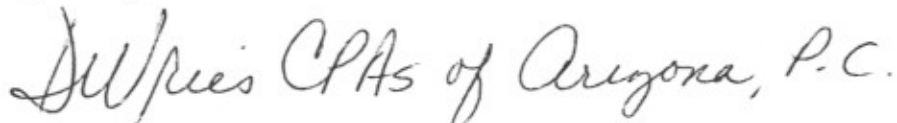
Schedule of Expenditures of Federal Awards

The financial statements of Pima Community College were audited by the Office of the Auditor General of the State of Arizona for the year ended June 30, 2005, who issued an unqualified report on the basic financial statements and a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated November 8, 2005. The report disclosed no reportable conditions in internal control or instances of noncompliance that would affect Pima Community College's federal programs.

The accompanying schedule of expenditures of federal awards for the year ended June 30, 2005, is presented as required by OMB Circular A-133 and is not a required part of the basic financial statements. We conducted our audit of the schedule in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion. Such information has been subjected to the auditing procedures as outlined above and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As reported in Note 4 in the Schedule of Expenditures of Federal Awards, Pima Community College did not comply with federal regulations in reporting eligible aid applicants during the years ended June 30, 2002 and 2003. The ultimate effect of this noncompliance cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying schedule of expenditures of federal awards.

This report is intended solely for the information of the Board of Governors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Devries CPAs of Arizona, P.C.".

DEVRIES CPAS OF ARIZONA, P.C.

January 27, 2006

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY OF AUDITORS' RESULTS
Year ended June 30, 2005

The following represents a material noncompliance and material weakness in internal controls, in accordance with *Government Auditing Standards* and OMB Circular A-133:

Finding: 05-1	Programs: 84.007 and 84.033 and <i>Government Auditing Standards</i>	Questioned Cost: Unknown
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The following finding was self-reported by the College to the Department of Education in January 2006.

Finding/Noncompliance: The Department of Education allocates awards for campus based student financial aid programs (Federal Supplemental Educational Opportunity Grant Program and Federal Work-Study Program) based on a formula that includes criteria used to evaluate institutional need. The institutional need calculation is based on eligible aid applicant data. After determining institutional need, the award is further impacted by each applicant's need in proportion to all other applicants' institutional need (fair share) and the amount by which the applicant's fair share exceeds its adjusted base guarantee (shortfall).

Pima Community College (College) erroneously reported the number of eligible aid applicants for the years ended June 30, 2002 and 2003. The effect of the erroneous reporting impacted the College award received for both the year ended June 30, 2004 and 2005. The subsequent year ended June 30, 2006 will also be impacted because of erroneous reporting of eligible aid applicants for the year ended June 30, 2004.

In addition, while not impacting the College awards received, the College included students not seeking credit in enrollment data on the Fiscal Operations Report and Application to Participate (FISAP) for the years ended June 30, 1997-1998 and 2000-2004.

Based on the FISAP reports submitted to the Department of Education, it appears that financial aid awards for campus based aid programs were more than the College would have received had the correct figures been reported. The amount of the over award is not determinable, and the College is awaiting a response from the Department of Education.

We recommend that the College implement additional procedures to verify all underlying data used for the reports.

Management Response: The College will implement additional procedures to ensure that student enrollment and eligible aid applicant data are properly reported on the FISAP. The College will provide each department, including the Admissions Office, with instructions for completion of the FISAP. The College will also develop a final sheet and the preliminary completed FISAP will be routed to each department that provided data for the report. Those departments will verify the information included in the report and sign the sheet indicating that the information has been reviewed and approved. The Provost and the Chancellor will meet with the Director of Financial Aid to review the final report prior to signature by College officials. The College has also changed the administrative reporting line in that the Financial Aid Director will report directly to the Chief Academic Officer in future.

In addition, although it has been found that the College received excess award funds based on the erroneous reporting, we have ensured that no ineligible student received financial assistance.

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
Year ended June 30, 2005

Financial statements

Audited by other auditors.

Federal awards

Internal control over major programs:

One material weakness identified.

05-1

No reportable conditions identified.

Type of auditors' report issued on compliance for major programs:

Qualified

No audit findings as required to be reported in accordance with Circular A-133, Section .510(a).

Identification of major programs:

84.007	Federal Supplemental Educational Opportunity Grant Program (FSEOG)
84.032	Federal Family Educational Loans (FFEL)
84.033	Federal Work-Study Program (FWS)
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program (PELL)
84.268	Federal Direct Student Loans (FDL)

Dollar threshold used to distinguish between Type A and Type B programs for expenditures:

\$780,260

The auditee qualified as a low-risk auditee.

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Grant number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Aid (SFA) Program Student Loan Disbursements:			
Federal Family Education Loans	84.032 *	N/A	\$ 12,399,118
Federal Perkins Loan Program	84.038 *	P038A040133	299,278
Federal Direct Student Loans (Direct Loan)	84.268 *	N/A	2,641,548
Total Student Loan Disbursements			\$ 15,339,944
SFA Program Expenditures:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007 *	P007A040133	\$ 1,021,218
Federal Work-Study Program	84.033 *	P033A040133	827,880
Federal Perkins Loan Program	84.038 *	P038A040133	107,380
Federal Pell Grant Program	84.063 *	P063P040512	18,461,227
Subtotal SFA Program			20,417,705
Other Program Expenditures:			
<i>Direct programs:</i>			
Higher Education - Institutional Aid	84.031S	P031S0000144-03	377,346
TRIO - Talent Search	84.044A	P044A020578	385,208
TRIO - Upward Bound	84.047A	P047A030578	301,351
Fund for the Improvement of Education	84.215K	R215K020370	71,977
Child Care Access Means Parents in School	84.335A	P335A010044-03	108,591
<i>Passed through Arizona Commission for Post-Secondary Education:</i>			
Leveraging Educational Assistance Partnership	84.069	N/A	142,142
<i>Passed through Arizona Department of Education:</i>			
Adult Education - State Grant Program	84.002A	05FAEABE-570600-01A	1,805,269
Adult Education - State Grant Program	84.002A	05FAECIV-570600-02A	238,090
Vocational Education - Basic Grants to States	84.048	04FCTDBG-470600-06A	32,769
Vocational Education - Basic Grants to States	84.048	05FCTDBG-570600-06A	177,080
Even Start - State Educational Agencies	84.213	05FECEVS-570600-05A	547,600
<i>Passed through Sunnyside Unified School District:</i>			
Even Start - State Educational Agencies	84.213	ED01-0033-013	219,975
<i>Passed through University of Arizona:</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Y772769	1,912
<i>Passed through Arizona State University:</i>			
Early Childhood Educator Professional Development	84.349A	S349A030112-SUB-04476	64,879
Subtotal Other Program Expenditures			4,474,189
Total U.S. Department of Education Expenditures			24,891,894

See Notes to Schedule of Expenditures of Federal Awards.

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - continued
Year ended June 30, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA No.	Grant number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
<i>Direct programs:</i>			
Biomedical Research and Research Training	93.859	5R25GM048993-06	\$ 158,224
<i>Passed through University of Arizona:</i>			
Biomedical Research and Research Training	93.859	1K12GM00708-01	53,230
<i>Passed through State of Arizona Dept. of Economic Security:</i>			
Refugee and Entrant Assistance - State Administered Programs	93.566	E6304021	185,584
Total U.S. Department of Health and Human Services			397,038
<u>Environmental Protection Agency</u>			
<i>Direct programs:</i>			
Wastewater Operator Training Grant Program	66.467	T-97969901-1	21,377
Wastewater Operator Training Grant Program	66.467	T-96925801-0	11,217
Wastewater Operator Training Grant Program	66.467	T-97947801-1	15,065
Total Environmental Protection Agency			47,659
<u>Small Business Administration</u>			
<i>Passed through Maricopa Community College District:</i>			
Small Business Development Center	59.037	4-603001-Z-0003-12	93,350
Small Business Development Center	59.037	5-603001-Z-0003-13	62,858
Total Environmental Protection Agency			156,208
<u>National Science Foundation</u>			
<i>Passed through Arizona State University:</i>			
Education and Human Resources	47.076	DUE-0230562	44,374
<i>Passed through University of Arizona:</i>			
Education and Human Resources	47.076	HRD-0120878	36,984
Total National Science Foundation			81,358
<u>National Aeronautics and Space Administration</u>			
<i>Passed through University of Texas San Antonio:</i>			
Aerospace Education Services Program	43.001	PA-AZ-3	45,032
Total National Aeronautics and Space Administration			45,032
<u>Department of Defense</u>			
<i>Direct programs:</i>			
Office of Naval Research:			
Basic and Applied Scientific Research	12.300	N00014-03-1-0844	11,924
Basic Scientific Research	12.431	DAAD19-03-1-0304	176,310
Total Department of Defense			188,234

See Notes to Schedule of Expenditures of Federal Awards.

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - continued
Year ended June 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Grant number</u>	<u>Disbursements/ Expenditures</u>
<u>Corporation for National and Community Service</u>			
<i>Passed through Arizona State Governor's Office:</i>			
AmeriCorps	94.006	03AFHAZ0010004	\$ 197,788
Total Corporation for National and Community Service			<u>197,788</u>
<u>Department of the Interior</u>			
<i>Passed through City of Tucson:</i>			
Historic Preservation Fund Grants-in-Aid	15.904	041116	148
Total Department of the Interior			<u>148</u>
<u>Department of Justice</u>			
<i>Passed through Bureau of Justice Assistance:</i>			
Bulletproof Vest Partnership Program	16.607	N/A	3,294
Total Department of Justice			<u>3,294</u>
Total Expenditures of Federal Awards			<u>\$ 26,008,653</u>

* Denotes a major program for OMB Circular A-133 purposes, totaling \$35,757,649 of expenditures and disbursements.

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2005

NOTE 1 – Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) is a summary of the federal disbursements/expenditures of Pima County Community College District (Pima Community College). The schedule presents expenditures that are included in the financial statements of Pima Community College for the year ended June 30, 2005.

The purpose of the schedule is to present, in summary form, federal expenditure/disbursement activities of Pima Community College for the year ended June 30, 2005. The schedule is prepared according to the format prescribed in the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 – Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the most recent *Catalog of Federal Domestic Assistance* or from the pass-through grantor's agreement.

NOTE 3 – U.S. Department of Education student financial aid loan programs

The Federal Family Education Loan Program (CFDA No. 84.032) and the Federal Direct Loan Program (CFDA No. 84.268) are not considered grants to Pima Community College since it is only responsible for determining student eligibility and distributing the loans directly to students. The Federal Perkins Loan Program (CFDA No. 84.038) is administered by Pima Community College and only the federal portion of administrative costs is included in expenditures. Loans distributed during the year ended June 30, 2005 are not considered expenditures on the financial statements. These loan programs are considered major programs of Pima Community College in accordance with OMB Circular A-133.

The Federal Perkins Loan Program's net receivables at June 30, 2005 were \$1,350,549.

NOTE 4 – Uncertainty

As reported in the Schedule of Findings and Questioned Costs, Pima Community College did not comply with federal regulations in reporting eligible aid applicants in past years, which had an impact on the award to the College for the year ended June 30, 2005. The ultimate effect of the noncompliance cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution with the Department of Education has been made in the accompanying schedule of expenditures of federal awards.

INFORMATION PREPARED BY AUDITEE

PIMA COUNTY COMMUNITY COLLEGE DISTRICT
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2005

Finding/Noncompliance: NONE